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FEDERAL RESERVE BOARD

Proposed guidelines, designed to simplify and expedite the processing of applications for bank acquisitions requiring Federal Reserve Board approval, including guidance to the public concerning the competitive analysis applied by the Board in passing upon bank acquisitions, mergers, or consolidations, were recently issued for comment by the Board (see the 3/3/83 Fed. Reg., pp. 9017-8). The proposed guidelines do not deal with the issue of acquisitions between direct competitors, i.e. horizontal acquisitions. The guidelines describe the circumstances under which market extension proposals may be subject to an in-depth inquiry by the Board or the relevant Federal Reserve Bank before a determination is made regarding the competitive effects, and should, according to the Board, lead to a substantial reduction in the number of cases requiring such an inquiry. Comments are requested by 4/9/82. For additional information contact Joe Cleaver at 202/452-3906.

INTERIOR, DEPARTMENT OF

An agreement for state audits on federal oil and gas leases was recently completed by the State of New Mexico and the Department of the Interior. In a joint announcement, Governor Bruce King and Interior Secretary James Watt said the agreement will make federal sales and royalty data available to the Oil and Gas Accounting Division of the State Department of Taxation and Revenue in a joint effort to increase royalty returns from federal leases. Secretary Watt and Governor King said the agreement "makes the State and Federal governments truly equal partners." They noted that testimony before Congress and an investigation by the Commission on Fiscal Accountability of the Nation's Energy Resources indicated there could be substantial under reporting under federal and Indian leases. The joint statement suggested that the 50 percent state share of under reported royalties could be several million dollars.

NATIONAL CREDIT UNION ADMINISTRATION

GAO recommends procedures for reducing the net cost of credit union liquidation due to the increasing number of liquidations being performed by the NCUA each year. The GAO has offered a series of recommendations for reducing the net cost of these liquidations in a recently released report, "The National Credit Union Administration Should Revise Liquidation Procedures to Reduce the Net Cost of Credit Union Liquidation." According to the report, the NCUA Board should drop its prohibition against sales of loans to finance companies; adopt policies to preserve the value of assets before credit unions actually become insolvent; revise the priority of payments to place the share insurance fund on an equal basis with general creditors; limit the right for creditors to claim liabilities to the date of charter cancellation; escheat unclaimed funds to the states after 18 months; reduce the standard for selling loan portfolios to no more than 45 days; and, keep records on assets, expenses, and net costs of individual liquidated credit unions. Copies of the report may be obtained by contacting the GAO at 202/275-6241 and requesting document GGD-82-26.

SECURITIES AND EXCHANGE COMMISSION

New procedures for investigating and prosecuting insider trading activities in U.S. capital markets were the subjects of recently concluded talks between the governments of the United States and Switzerland. Two days of consultations were held 3/1-2/82, at the invitation of the Swiss government, between representatives of various agencies and departments of both governments, including the SEC. The delegations reviewed the common interests of both governments in the continued free flow of capital between Switzerland and the U.S. One of the possible new procedures discussed was a convention among Swiss banks leaving open the role that the governments could play in the exchange of information. The discussions addressed the applicability of the mutual assistance treaty in criminal matters between the two governments, which became effective 1/77. The delegations are hopeful that the consultations will lead to new, mutually acceptable procedures to assist in the investigation and prosecution of insider trading activities in the U.S. capital markets, which is a violation of the U.S. federal securities laws. Due to the complexity of the problems discussed, the delegations elected to continue the consultations at a later date with the aim of establishing additional mutually acceptable procedures to share information. For additional information contact the SEC at 202/272-2650.

SMALL BUSINESS ADMINISTRATION

The major problems of small business, inflation, high interest rates, access to capital, regulation, research and development, export and equal business opportunities, are being effectively addressed with important new tax incentives for work, saving and investment, according to the first annual report on The State of Small Business: A Report of the President, recently completed and transmitted to the Congress. This 365 page report, including the Small Business Administration's (SBA) Annual Report on Small Business and Competition, contains chapters on small business in the U.S. economy; major sources of detailed business information; small business definitions; concentration by industry and a summary. The SBA report states that the historical vitality of small business has been severely tested in recent years, noting that bankruptcies and business failures have risen almost 30 percent in the last two years. Copies of the President's Report will soon be available for purchase from the U.S. Government Printing Office at $7 per copy.

TREASURY, DEPARTMENT OF

A regulation amending the effective date of the generation-skipping tax, as it affects those individuals subject to the transitional rules under Code Section 2601, was adopted recently by the IRS (see the 3/3/82 Fed. Reg., p. 8995). The Tax Reform Act of 1976 established a tax on generation-skipping transfers occurring after 6/11/76. That act, as amended by the Tax Reform Act of 1978, provided a transitional rule whereby certain trusts in existence on that date (or created under wills in existence on that date) were excluded from the application of the tax if the grantor or testator died before 1/1/82. The Economic Recovery Tax Act of 1981 extended that date to 1/1/83. The final regulation reflects the new effective date of the transitional rule.

SPECIAL: JOHN BURTON, CPA, NAMED DEAN OF COLUMBIA BUSINESS GRAD SCHOOL

John C. Burton, AICPA Council member, has been named Dean of the Columbia University Graduate School of Business, effective 7/1/82. Dr. Burton is the Arthur Young Professor of Accounting and Finance at Columbia. Prior to returning to the University, he served as Deputy Mayor for Finance of the City of New York and as Chief Accountant of the SEC. Dr. Burton is a member of the Financial Accounting Standards Advisory Council, the FASB Conceptual Framework Task Force, the SEC Oil and Gas Accounting Advisory Committee and the Consultant's Panel of the Comptroller General of the United States.

SPECIAL: LEGISLATION SEEKS MORE COMPETITION FOR GOVERNMENT CONTRACTS

Legislation which seeks to provide new procedures to expand the use of competition in government contracting and impose greater restrictions on the awarding on noncompetitive contracts was introduced on 2/23/82, by Sen. William Cohen (R-ME). The "Competition in Contracting Act of 1982," S. 2127, takes a new approach to government contracting by distinguishing between competitive and noncompetitive procedures in lieu of formal advertising and negotiation. The measure intends to permit agencies to use the competitive method most conducive to the conditions of the contract and impose greater restrictions on the awarding of noncompetitive contracts by shifting the emphasis from having to justify negotiation to having to justify noncompetitive procurements. According to Sen. Cohen, "several studies have indicated that as much as 25 percent can be saved through increased competition."

SPECIAL: APPROPRIATIONS HEARINGS HELD FOR FTC AND SEC

Appropriations hearings for fiscal year 1983 budgets of the Federal Trade Commission and the Securities and Exchange Commission were held on 3/2/82, before the House Appropriations Committee, Subcommittee on Commerce, Justice and State, the Judiciary and Related Agencies. The hearings were chaired by Rep. Neal Smith (D-LA), Subcommittee Chairman, who heard FTC Chairman James C. Miller III and SEC Chairman John S.R. Shad present their requests for FY'83. Mr. Miller was heard first and he requested $60.8 million or a decrease of $7.9 million or over 11 percent less than the 1982 level of funding. This budget will reduce the FTC staff by 145. Mr. Miller indicated that management improvements and program refinements will enable the Commission to continue to meet its statutory responsibilities. The FTC will close four of its 10 regional offices and reduce staff in the remaining regional offices as a result of the budget reduction. Mr. Miller said that the Commission would announce which regional offices would be closed within the next month. On questioning from the Subcommittee, Mr. Miller indicated that state and local governments would pick up any slack in determining when competition was being threatened and that the FTC would work more closely with these entities.

SEC Chairman Shad presented a budget request for FY'83 of $84.3 million, which represented an increase of 1.7 percent over 1982, but would reduce staff by 125 to 1,765. Citing explosive increases in all types of activity over which the SEC has statutory responsibility, Mr. Shad said that "available resources will not permit the level of surveillance our efforts have provided in the past." Mr. Shad indicated that the SEC would strengthen its management of cases and investigations as a response to the reduction in resources. It was also indicated that as a result of a $3.1 million expense from the 10/1/81 salary increase, the SEC was forced to reduce staff and curtail development of the Market Oversight Surveillance System (MOSS). The Commission will ask this year to transfer primary responsibility for the development of an inter-market surveillance system to the self-regulatory organizations. Mr. Shad also reported that the staff will begin to relocate in the new SEC headquarters 6/1/82.

For additional information, please contact Jim Kovakas, Gina Rosasco, Nick Nichols or Kathee Baker at 202/872-8190.

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